

# HOUSE BILL REPORT

## ESHB 2358

---

### As Amended by the Senate

**Title:** An act relating to state ferries.

**Brief Description:** Regarding state ferries.

**Sponsors:** By House Committee on Transportation (originally sponsored by Representatives Rolfes, Strow, Appleton, Seaquist, VanDeWege, Lantz, Flannigan, Roberts, Cody, Green, Eickmeyer, Jarrett and Kessler).

**Brief History:**

**Committee Activity:**

Transportation: 2/27/07, 3/2/07 [DPS].

**Floor Activity:**

Passed House: 3/10/07, 90-7.

Senate Amended.

Passed Senate: 4/4/07, 40-8.

House Refuses to Concur.

Senate Amended.

Passed Senate: 4/20/07, 47-1

### Brief Summary of Engrossed Substitute Bill

- Makes various changes to the statutes regarding Washington State Ferries, including level of service standards, fare setting, and the department's capital program.

---

### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 18 members: Representatives Clibborn, Chair; Flannigan, Vice Chair; Jarrett, Ranking Minority Member; Appleton, Campbell, Dickerson, Eddy, Hailey, Hudgins, Lovick, Rodne, Rolfes, Sells, Springer, B. Sullivan, Takko, Upthegrove and Wood.

**Minority Report:** Do not pass. Signed by 6 members: Representatives Armstrong, Ericksen, Hankins, Kristiansen, Simpson and Wallace.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Staff:** Teresa Berntsen (786-7301).

**Background:**

The Washington State Department of Transportation (WSDOT) Ferries Division operates and maintains ferry vessels and terminals, constructs terminals, and acquires vessels. The system serves eight Washington counties and one Canadian province through 28 vessels and 20 terminals. The Washington State Ferries (WSF) also operates a maintenance facility at Eagle Harbor.

Level of Service Standards:

The WSDOT sets the level of service standards for state ferry routes of statewide significance.

Fares:

The WSDOT reviews fares annually and makes recommendations to the Transportation Commission (Commission). The Commission must adopt fares by rule.

When reviewing fares, the WSDOT must solicit input from local community groups, consult with affected ferry users, and give notice of the review to Ferry Advisory Committees (FACs). The makeup of FACs is established in state law. The WSDOT may solicit input from affected ferry users by holding a public hearing in affected communities, working with affected FACs, conducting a survey of affected users, or a combination. State law lists items that may be considered when setting fares.

Changes to Service Levels:

Before making substantial changes to service levels, the WSDOT must consult with affected users, consider all possible cost reductions, and consider adapting service levels equitably on a route-by-route basis. The Ferry System Productivity Council is established and directed to meet periodically to discuss ways to improve ferry system productivity.

Transportation Plan:

The state-owned facilities component of the statewide transportation plan must include a state ferry system plan. The plan must: (1) include service objectives for routes; (2) forecast demand; (3) develop investment strategies that consider regional and statewide needs, support local use plans, and assure that ferry services are fully integrated with other transportation services; (4) provide for the preservation of capital assets based on lowest life-cycle cost methods; (5) be consistent with the regional transportation plans; and (6) be developed in conjunction with the FACs.

2006 Ferries Finance Study:

In the 2006 transportation budget, the Joint Transportation Committee (JTC) was directed to conduct a finance study of the state ferry system. The study was to facilitate legislative policy discussions and decisions regarding Washington State Ferries (WSF). The study made recommendations in the following areas: conducting a market survey, developing operational and pricing strategies, capital expenditures, long-range capital planning, and the ferries capital improvement program.

---

## **Summary of Engrossed Substitute Bill:**

### Level of Service Standards:

The WSDOT may adjust ferry level of service standards for seasonality.

### Survey of Users:

The WSDOT must conduct a survey of ferry users to inform level of service, operational, pricing, planning, and investment decisions. Information is to be gathered on recreational users, vehicles, and freight; reactions to possible operational and pricing strategies; and impacts on local communities. The survey must be developed with input from FACs. The survey must be updated periodically, and maintained to support adaptive management of ferry services.

### Operational Strategies:

The WSDOT must develop operational strategies that must at a minimum: (1) recognize that each route and ferry community is unique; (2) use data from a current customer survey; (3) be consistent with vehicle level of service standards; (4) use a life-cycle cost analysis that considers capital and operating costs and the most efficient balance between these costs; and (5) include methods of collecting fares that maximize efficiency and achieve revenue management control. Specific strategies must be considered.

### Fares:

The WSDOT must review fares annually by using data from a current survey of users and input from affected ferry users. Beginning in 2008, the date by which the Commission must adopt fares for the following year is changed from April to October. The Commission is allowed to adopt fares that are in effect for more or less than one year to facilitate transitioning to the new schedule.

Fares must be developed in consultation with affected ferry users by public hearing, review with affected FACs, and other methods of gathering input. A Citizen Advisory Committee is created to advise the WSDOT and the Commission on fares.

Fares and pricing strategies must be developed so that they: (1) recognize each route is unique; (2) use data from a current customer survey; (3) are developed with input from affected ferry users; (4) keep fare schedules as simple as possible; (5) develop options to use pricing to level vehicle peak demand and to increase off-peak ridership; (6) consider equitable fares to be charged passengers, vehicles, and commodities; (7) give the WSDOT sufficient flexibility to develop and implement options to level vehicle peak demand and increase off-peak ridership; and (8) beginning in 2008, generate the amount of revenue required by the biennial transportation budget.

The Commission may not raise ferry fares until pricing strategies developed by the WSDOT are incorporated into the Commission's fare rules.

Revenues in the Puget Sound Ferry Operations Account may not be used to support the Puget Sound Capital Construction Account unless that support is identified on fares.

Changes to Service Levels:

The WSDOT must receive legislative approval before adding or deleting an entire ferry route. Before substantial changes to the service levels are made, the WSDOT must consult with affected ferry users by public hearing, through FACs, and other methods of gathering input.

Terminal Design Standards:

The WSDOT must develop terminal design standards that find the most efficient balance between capital and operating investments, recognize that ferry routes are unique, and that adhere to standards and strategies adopted by the WSDOT and the Commission.

Capital Program:

Capital projects are defined.

The WSDOT must maintain a life-cycle cost model to be used in estimating future capital preservation costs. Appropriations made for preservation costs may only be spent for capital costs that have a documented need or are justified according to criteria developed by the agency. The WSDOT may develop life cycles for assets that do not have standard industry life cycles.

The WSF capital plan must be based on a current ridership demand forecast, vehicle level of service standards, and must adhere to standards and strategies adopted by the WSDOT. Funding requests for terminal improvement projects must be based on the capital plan. Funding requests for terminal improvement projects, and preservation projects over \$5 million, must include a pre-design study that meets the Office of Financial Management (OFM) requirements and includes various other elements.

The Joint Legislative Accountability and Review Committee (JLARC) must audit capital expenditures made by the WSF to ensure they follow an approved cost allocation plan, all expenditures meet the definition of capital, preservation expenditures show documented need for the expenditure, and improvement expenditures are within the scope of legislative appropriations. The report on this evaluation is due by January 31, 2010.

Legislative Review:

The Legislature must review the following:

- reestablishment of the vehicle level of service standards;
- survey of ferry customers;
- operational and pricing strategies;
- criteria developed by the WSDOT as a justification for preservation funding requests;
- terminal design standards; and
- ferries long-range capital plan.

---

**EFFECT OF SENATE AMENDMENT(S):**

Language is removed regarding the legislature finding that maximizing ferry system capacity means finding methods of shifting ridership from peak periods. Language is added to state it is the intent of the legislature that the WSDOT adopt adaptive management practices in its operating and capitol programs so as to keep the costs of the ferries system as low as possible while improving the quality and timeliness of service. The Commission must conduct a survey of ferry customers with input from the WSDOT, as opposed to the WSDOT conducting the survey. The survey must be updated at least every two years. The operational strategies developed by the WSDOT must be reviewed by the Commission. The Commission must approve the WSF's long-range capital plan. The Citizen Advisory Committee created to advise the WSDOT and the Commission on matters related to ferry fares is removed. The requirement is removed that before increasing fares, WSF must consider all possible cost reductions. The schedule of fare rule adoption is changed from October to September 1. Language is added to the requirement that operational strategies be developed before ferry fares may be increased to say fares may not be raised until pricing strategies have been developed or until September 1, 2009, whichever is later. The WSDOT may only request preservation funding for WSF projects for items included in the life cycle cost model. The life cycle cost model may not include items that typically are not planned to be replaced or assets not yet built. The requirement that Commission adopted rules give the WSF flexibility to develop and implement options to level vehicle peak demand and increase off-peak ridership is removed. The requirement that ferry terminal design standards must recognize the unique characteristics of each route and of each terminal host community is removed. A study by the Joint Transportation Committee is removed. Other technical changes are made.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:**

(In support) The long-term health and viability of the ferry system is of utmost importance to ferry communities. This bill introduces major changes to the way the ferry system operates and plans, in order to improve the long term viability of the system, find stable funding, and provide fares that ferry communities can afford. Further clarification of the how the bill contemplates the market survey using forecasted data is needed. The new fare schedule from April to October should not specify the day of the month, and a transition period should be provided.

(With concerns) Concrete legislative guidance is needed on two key policy issues: how much revenue is to be raised from fares, and how the Legislature wants the Department of Transportation (WSDOT) to use pricing to spread demand off of peak periods. The Department has technical concerns which were submitted to the prime sponsor. The bill reduces rider and public input into fare discussions. Rider and public input should be provided into the development of operational strategies and the market survey. This bill deletes the provisions for fair and equitable fares, the use of tariff route equity, and the

requirement for the WSDOT to consider cost reductions before setting fares. Peak hour pricing is unfair to commuters, who pay for the majority of the system and do not have flexibility on when they must be at work. Reservation systems will put a burden on low income commuters. The move from setting fares from October to April removes the Legislature's ability to influence the fares. The bill contains no metrics to indicate success or failure. Ridership has been lost because of rising fares, many of which are low-income commuters. Ferries are a mass transit system and should be run and funded as such. The legislation should contain a dedicated funding source for ferries. The legislation places a significant amount of executive control in the Transportation Commission (Commission), which is asking too much of the commissioners, none of whom have ferry experience. The Legislature should consider having the Commission manage highways, and create another body to manage ferries that has members who are familiar with managing mass transit systems.

The Edmonds terminal project has been in the works for quite a while, with state and local money committed, and should not be delayed through the requirements contained in the legislation.

(Opposed) None.

**Persons Testifying:** (In support) Representative Rolfes, prime sponsor; and Paul Parker, Washington State Transportation Commission.

(With concerns) Doug MacDonald, Washington State Department of Transportation; Debbi Lester, Ferry Community Partnership; Mike Doubleday, City of Edmonds; Walt Elliott, Ferry Advisory Committee Executive Committee; and Dennis Cziske, Kingston Ferry Advisory Committee.

**Persons Signed In To Testify But Not Testifying:** None.